

AUDITED CONSOLIDATED FINANCIAL  
STATEMENTS AND OTHER FINANCIAL  
INFORMATION

Backus Corporation and Subsidiaries  
Years Ended September 30, 2009 and 2008  
With Report of Independent Auditors

# Backus Corporation and Subsidiaries

## Audited Consolidated Financial Statements and Other Financial Information

Years Ended September 30, 2009 and 2008

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## Report of Independent Auditors

The Board of Trustees  
Backus Corporation and Subsidiaries

We have audited the accompanying consolidated balance sheets of Backus Corporation and Subsidiaries (the Corporation) as of September 30, 2009 and 2008, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Corporation's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Backus Corporation and Subsidiaries as of September 30, 2009 and 2008, and the consolidated results of its operations, changes in net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

A handwritten signature in black ink that reads 'Ernst & Young LLP'.

December 1, 2009

## Backus Corporation and Subsidiaries

### Consolidated Balance Sheets

	<b>September 30</b>	
	<b>2009</b>	<b>2008</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 62,155,067	\$ 50,429,864
Assets whose use is limited – required for current liabilities	7,240,812	6,648,187
Accounts receivable, less allowance for uncollectible accounts (2009 – \$21,206,000; 2008 – \$16,169,000)	38,032,269	35,783,224
Pledges receivable	533,993	1,103,017
Inventories of supplies	3,367,607	2,004,317
Prepaid expenses and other	1,023,236	1,871,894
Total current assets	112,352,984	97,840,503
Assets whose use is limited:		
Board-designated and donor restricted	81,012,837	77,540,189
Held by trustee	25,070,975	20,554,290
Total assets whose use is limited	106,083,812	98,094,479
Less assets whose use is limited – required for current liabilities	7,240,812	6,648,187
	98,843,000	91,446,292
Property, plant and equipment, net	103,839,068	100,690,508
Deferred financing costs	2,025,397	2,118,397
Other assets	2,837,828	4,325,328
Total assets	\$ 319,898,277	\$ 296,421,028

	<b>September 30</b>	
	<b>2009</b>	<b>2008</b>
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable – trade	\$ 11,143,511	\$ 10,146,787
Salaries and wages, payroll taxes and taxes withheld from payroll	8,955,228	7,358,943
Other accrued liabilities	9,568,027	7,548,447
Due to third-party reimbursement agencies	2,310,804	1,750,429
Current portion of long-term debt	1,833,475	1,810,232
Total current liabilities	<u>33,811,045</u>	<u>28,614,838</u>
Other liabilities:		
Long-term debt, less current portion	64,995,680	67,121,518
Employee related obligations	84,442,697	39,209,762
Self-insured professional liability	10,580,762	11,939,205
Due to third-party reimbursement agencies	10,307,215	3,892,438
Other	675,153	541,666
	<u>171,001,507</u>	<u>122,704,589</u>
Net assets:		
Unrestricted	104,776,463	136,705,366
Temporarily restricted	3,447,432	2,475,427
Permanently restricted	6,861,830	5,920,808
Total net assets	<u>115,085,725</u>	<u>145,101,601</u>
Total liabilities and net assets	<u><u>\$ 319,898,277</u></u>	<u><u>\$ 296,421,028</u></u>

*See accompanying notes.*

Backus Corporation and Subsidiaries  
Consolidated Statements of Operations

	<b>Years Ended September 30</b>	
	<b>2009</b>	<b>2008</b>
Operating revenues:		
Net patient service revenue	<b>\$ 271,765,388</b>	\$ 251,767,293
Other operating revenue	<b>4,412,193</b>	4,930,976
Net assets released from restrictions	<b>86,494</b>	72,396
	<b>276,264,075</b>	256,770,665
Operating expenses:		
Salaries, wages and professional fees	<b>120,907,812</b>	109,220,049
Payroll taxes and other fringe benefits	<b>29,445,026</b>	25,284,879
Supplies, insurance and other	<b>80,131,898</b>	82,630,439
Provision for uncollectible accounts	<b>17,106,501</b>	14,689,011
Depreciation and amortization	<b>17,335,024</b>	16,814,826
Interest	<b>3,361,670</b>	3,277,607
	<b>268,287,931</b>	251,916,811
Operating income	<b>7,976,144</b>	4,853,854
Nonoperating gains and (losses)		
Contributions and donations	<b>429,646</b>	384,478
Investment income	<b>5,177,633</b>	(12,766,293)
	<b>5,607,279</b>	(12,381,815)
Excess (deficiency) of revenues over expenses	<b>\$ 13,583,423</b>	\$ (7,527,961)

## Backus Corporation and Subsidiaries

### Consolidated Statements of Changes in Net Assets

	<b>Total</b>	<b>Unrestricted</b>	<b>Restricted</b>	<b>Permanently Restricted</b>
Net assets, October 1, 2007	\$168,392,530	\$ 159,117,857	\$ 2,945,255	\$ 6,329,418
Excess of revenues over expenses	(7,527,961)	(7,527,961)		
Contributions	797,210		792,190	5,020
Investment income	(715,227)		(715,227)	
Net assets released from restriction	(546,791)		(546,791)	
Change in pension funding and postretirement obligation	(14,558,507)	(14,558,507)		
Current year acquisition	(326,023)	(326,023)		
Change in net assets held in trust	(413,630)			(413,630)
Increase in net assets	<u>(23,290,929)</u>	<u>(22,412,491)</u>	<u>(469,828)</u>	<u>(408,610)</u>
Net assets, September 30, 2008	145,101,601	136,705,366	2,475,427	5,920,808
Contributions	<b>1,712,752</b>		<b>742,752</b>	<b>970,000</b>
Investment income	<b>315,747</b>		<b>315,747</b>	
Excess of revenues over expenses	<b>13,583,423</b>	<b>13,583,423</b>		
Net assets released from restriction	<b>(86,494)</b>		<b>(86,494)</b>	
Effect of early measurement date elimination	<b>(1,762,428)</b>	<b>(1,762,428)</b>		
Change in pension funding and postretirement obligation	<b>(43,749,898)</b>	<b>(43,749,898)</b>		
Change in net assets held in trust	<b>(28,978)</b>			<b>(28,978)</b>
(Decrease) increase in net assets	<u><b>(30,015,876)</b></u>	<u><b>(31,928,903)</b></u>	<u><b>972,005</b></u>	<u><b>941,022</b></u>
Net assets, September 30, 2009	<b><u>\$115,085,725</u></b>	<b><u>\$ 104,776,463</u></b>	<b><u>\$ 3,447,432</u></b>	<b><u>\$ 6,861,830</u></b>

*See accompanying notes.*

Backus Corporation and Subsidiaries  
Consolidated Statements of Cash Flows

	<b>Years Ended September 30</b>	
	<b>2009</b>	<b>2008</b>
<b>Operating activities</b>		
Decrease in net assets	\$ (30,015,876)	\$ (23,290,929)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation and amortization	17,335,024	16,814,826
Provision for uncollectible accounts	17,106,501	14,689,011
Effect of early measurement date elimination	1,762,428	
Change in pension funding and postretirement obligation	43,749,898	14,558,507
(Purchase) proceeds from sale of investments-board designated, net	(3,472,648)	14,928,912
Changes in operating assets and liabilities:		
Accounts receivable and pledge receivable	(18,786,522)	(18,499,304)
Inventories of supplies, prepaid expenses and other	(514,632)	170,941
Accounts payable	996,724	(3,026,456)
Employee related obligations	(279,391)	(3,431,132)
Other accrued liabilities	2,019,580	456,030
Salaries and wages, payroll taxes and taxes withheld from payroll	1,596,285	1,605,186
Due to third-party reimbursement agencies	6,975,152	3,155,801
Self-insured professional liability	(1,358,443)	3,297,056
Other liabilities	133,487	280,127
Net cash provided by operating activities	37,247,567	21,708,576
<b>Investing activities</b>		
Purchase of investments-held in trust, net	(4,516,685)	(810,209)
Net additions to property, plant and equipment	(19,263,913)	(16,728,230)
Decrease in other assets	360,829	99,522
Net cash used in investing activities	(23,419,769)	(17,438,917)
<b>Financing activities</b>		
Principal payments on long-term debt	(2,050,962)	(900,485)
Change in deferred financing costs and amortization of bond premium	(51,633)	(127,164)
Net cash used in financing activities	(2,102,595)	(1,027,649)
Net increase in cash and cash equivalents	11,725,203	3,242,010
Cash and cash equivalents at beginning of year	50,429,864	47,187,854
Cash and cash equivalents at end of year	\$ 62,155,067	\$ 50,429,864

*See accompanying notes.*

# Backus Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

September 30, 2009

### **1. Significant Accounting Policies**

#### **Organization**

Backus Corporation (Corporation) is a not-for-profit organization under the Non-Stock Corporation Act of the State of Connecticut. The Corporation provides overall direction and control for The William W. Backus Hospital (the Hospital), Backus Foundation, Inc. (Foundation) and Backus Health Care, Inc. Backus Properties, Inc. (Properties), a not-for-profit organization, holds and manages certain nonpatient related properties for the Corporation. WWB Corporation conducts the related for-profit activities of the Corporation, its sole shareholder. Omni Home Health Services of Eastern Connecticut LLC dba Backus Home Health Services provides continual home care to patients. Backus Physician Services, LLC provides surgical services. The accompanying consolidated statements of operations include the excess (deficiency) of revenue over expenses as the performance indicator. For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenues and expenses; peripheral or incidental transactions are reported as nonoperating items. All intercompany transactions have been eliminated in consolidation. Subsequent to year end, Backus Foundation Inc. and Backus Properties Inc. will cease to exist as separate entities and all assets, liabilities, equity and operations will merge into the Hospital. The merger will not impact the consolidated financial statements of the Corporation.

#### **Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Regulatory Matters**

The Hospital is required to file annual operating information with the State of Connecticut Office of Health Care Access (OHCA).

## Backus Corporation and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### **1. Significant Accounting Policies (continued)**

##### **Assets Whose Use Is Limited**

The Board of Trustees has designated certain unrestricted funds, including principal and income, for construction and other purposes. The President and Chief Executive Officer of the Hospital may, after consultation with the Chairman, Vice Chairman or the Board of Trustees, use board-designated funds, if required, to meet short-term operating cash requirements. Assets whose use is limited also include assets obtained through a financing arrangement with the State of Connecticut Health and Educational Facilities Authority (the Authority) as more fully explained in Note 6. The portion of those amounts required for funding current liabilities is included in current assets. The carrying amounts reported in the balance sheets are stated at fair value.

##### **Investments**

Marketable securities are classified as trading securities. Investments in debt and equity securities, with readily determinable fair values, are reported at fair value based on quoted market prices. Investment income or loss (including realized gains and losses on investments, interest and dividends) and the change in the net unrealized gains and losses are included in the excess of revenue over expense unless the income or loss is restricted by the donor.

##### **Inventories**

Inventories are stated at the lower of cost (first-in, first-out method) or market.

##### **Property, Plant and Equipment**

Property, plant and equipment are stated on the basis of cost. The Corporation and its subsidiaries provide for depreciation using the straight-line method in amounts sufficient to depreciate the cost of the assets over their estimated useful lives.

##### **Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time frame or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Corporation in perpetuity.

##### **Nonoperating Gains and Losses**

Activities other than those in connection with providing health care services are considered to be nonoperating. Nonoperating gains and losses primarily consist of income on invested funds.

## Backus Corporation and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### **1. Significant Accounting Policies (continued)**

##### **Donor-Restricted Gifts**

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are classified as unrestricted contributions in the accompanying consolidated financial statements.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in nonoperating gains and losses. Conditional promises to give are not included as support until the conditions are substantially met.

##### **General and Professional Liability Self-Insurance**

The Hospital has adopted the policy of self-insuring the deductible portion of its general and professional liability insurance coverage. The deductible limits are \$1,000,000 per claim and \$4,000,000 annually for 2009 and 2008. Management accrues its best estimate of ultimate losses for both reported claims and claims incurred but not reported.

##### **Excess of Revenues over Expenses**

The statements of operations and changes in net assets include excess of revenues over expenses. Changes in unrestricted net assets, which are excluded from the excess of revenues over expenses (the performance indicator), consistent with industry practice, include changes in pension funding and postretirement obligation, changes in the fair value of the interest rate swap current year acquisitions, and the effect of early measurement date elimination.

##### **Cash Equivalents**

The Corporation considers all highly liquid time deposits, commercial paper and money market mutual funds purchased with a maturity date at acquisition of three months or less to be cash equivalents.

## Backus Corporation and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 1. Significant Accounting Policies (continued)

##### Income Taxes

The Corporation, the Hospital, the Foundation, and Backus Health Care, Inc. are not-for-profit organizations exempt from federal income taxes on related income under Section 501(c)(3); Backus Properties, Inc. is a not-for-profit title holding corporation exempt from federal income taxes under Section 501(c)(2); WWB Corporation is a taxable stock corporation; CONNCare Inc., a subsidiary of Backus Health Care, is a taxable, nonstock corporation. Backus Home Health Services is a partnership taxable to its members and Backus Physician Services, LLC is a taxable, nonstock corporation.

Accounting Standards Codification (ASC) 740-10, *Uncertain Tax Positions*, (ASC 740-10), prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure requirements for uncertain tax positions. Management has evaluated the implications of ASC 740-10 and determined that its impact on the consolidated financial statements is not significant.

CONNCare, Inc. has a net operating loss carry-forward of \$5,390,745. This net operating loss results in a potential deferred tax asset in the amount of approximately \$2,200,000. WWB Corporation, Inc. has a net operating loss carry-forward of \$459,599. This net operating loss results in a potential deferred tax asset in the amount of approximately \$184,000. Neither asset has been recorded as these assets are offset by valuation allowances of the same amounts.

##### Adoption of New Authoritative Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued FASB ASC 105, *Generally Accepted Accounting Principles* (ASC 105), which establishes the FASB Accounting Standards Codification as the sole source of authoritative GAAP. Pursuant to the provisions of ASC 105, the Corporation has updated references to GAAP in its financial statements for the year ended September 30, 2009. The adoption of ASC 105 did not impact the Corporation's consolidated financial position or results of operations.

Effective 2009, the Corporation adopted ASC 820-10, *Fair Value*, which defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosure about fair value measurements.

## Backus Corporation and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 1. Significant Accounting Policies (continued)

In 2009, the Corporation adopted ASC 825-10, *Fair Value Option*, which permits companies to choose to measure certain financial instruments and other items at fair value that are not currently required to be measured at fair value. The Corporation did not elect fair value accounting for any asset or liability not currently required to be measured at fair value.

In June 2009, the Corporation adopted provisions of ASC 855-10, *Subsequent Events*, which establishes standards of accounting for disclosure of events or transactions that occur after the balance sheet date, but before the financial statements are issued or available to be issued. ASC 855-10 is effective on a prospective basis for financial periods ended after June 15, 2009. The adoption of ASC 855-10 in 2009 did not impact the Corporation's consolidated financial position or results of operations. Management evaluated subsequent events through December 1, 2009, the date the consolidated financial statements were available to be issued.

#### 2. Revenues from Services to Patients and Charity Care

Patient accounts receivable and revenues are recorded when patient services are performed.

For 2009 and 2008, Hospital revenue accounted for 96% of net patient service revenue. The following summarizes net patient service revenue:

	Year Ended September 30	
	2009	2008
Gross patient service revenue	\$ 578,445,014	\$ 524,204,277
Deductions:		
Allowances	(299,764,222)	(265,835,156)
Charity care (at charges)	(6,915,404)	(6,601,828)
	<u>(306,679,626)</u>	<u>(272,436,984)</u>
Net patient service revenue	<u>\$ 271,765,388</u>	<u>\$ 251,767,293</u>

## Backus Corporation and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### **2. Revenues from Services to Patients and Charity Care (continued)**

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Changes in estimates increased net patient service revenue by approximately \$671,000 and \$3,600 in 2009 and 2008, respectively.

Revenues from the Medicare and Medicaid programs accounted for approximately 28% and 7%, respectively, of the Corporation's net patient service revenue for the year ended September 30, 2009 and 30% and 6% for the year ended September 30, 2008. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Corporation believes that it is in compliance with all applicable laws and regulations, and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries are outstanding, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs. Changes in the Medicare and Medicaid programs and the reduction of funding levels could have an adverse impact on the Corporation.

#### **3. Charity Care**

The Corporation provides services without charge or at amounts less than its established rates, to patients who meet the criteria of its charity care policy. Because the Corporation does not pursue collection of amounts determined to be charity care, such services are not reported as net revenue. The Corporation's charity care policy utilizes the generally recognized poverty income levels for the state. For patients who do not apply or do not qualify, the uncollected amounts are recognized as bad debt expense.

## Backus Corporation and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 3. Charity Care (continued)

Together, charity care and bad debt expense represent uncompensated care. The following summarizes uncompensated care:

	<b>At Charge</b>	<b>Estimated Cost</b>
Charity care	\$ 6,915,404	\$ 3,042,778
Bad debt	17,106,501	7,526,860
Total uncompensated care, September 30, 2009	<b>\$ 24,021,905</b>	<b>\$ 10,569,638</b>
Charity care	\$ 6,601,828	\$ 3,016,131
Bad debt	14,689,011	6,710,866
Total uncompensated care, September 30, 2008	<b>\$ 21,290,839</b>	<b>\$ 9,726,997</b>

Estimated cost is based on the ratio of cost to charges, as determined by Hospital-specific data.

#### 4. Investments

Investment income and gains (losses) are comprised of the following for the years ended September 30, 2009 and 2008:

	<b>Year Ended September 30</b>	
	<b>2009</b>	<b>2008</b>
Realized and unrealized gains (losses) on investments	\$ 1,229,304	\$ (15,367,123)
Interest and dividend income	2,015,679	2,420,054
Investment in joint ventures	2,420,701	1,306,303
Other investment losses	(269,976)	(809,893)
Investment fees	(218,075)	(315,634)
	<b>\$ 5,177,633</b>	<b>\$ (12,766,293)</b>

## Backus Corporation and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 4. Investments (continued)

The market value of assets whose use is limited at September 30, is set forth in the following table:

	2009	2008
Board designated:		
Cash and cash equivalents	\$ 18,129,468	\$ 16,123,886
Common stock	13,153,726	15,281,005
Corporate bonds	9,815,901	6,875,227
Government bonds	15,780,860	17,695,487
Mutual funds	24,132,882	21,564,584
	\$ 81,012,837	\$ 77,540,189
Held by trustee:		
Cash and cash equivalents	\$ 4,804,214	\$ 8,096,731
Mutual funds	17,496,461	9,613,200
Government bonds	442,987	446,525
Other marketable securities	2,327,313	2,397,834
	\$ 25,070,975	\$ 20,554,290

In 2009, the Hospital adopted ASC 958-205, *Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds*, which provides guidance on the net asset classification of donor restricted endowment funds subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as well as requiring additional disclosures about endowment funds.

The Board of Trustees of the Hospital has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Hospital classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of the subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure.

## Backus Corporation and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 4. Investments (continued)

The primary objective of the endowment fund is to provide long-term support for the Hospital's capital and operating programs. The Corporation's investment goals are to maximize total return (capital appreciation, dividends and interest) while also protecting the Corporation's inflation-adjusted value over time. The Corporation's assets are diversified across multiple asset classes (e.g., common stocks, bonds and cash) to achieve an optimal balance between risk and return and between current income and capital appreciation. The investment program is structured to offer reasonably high probability of generating a real return of 5% per year over a period of five to ten years to protect the real inflation-adjusted value of assets and to meet the spending requirements. The investment committee reviews investment policies annually to determine if changes need to be made due to changing market conditions or other factors.

Management evaluates endowment spending in light of capital replacement and expansion plans. The spending policy does not apply a prescribed rate of spending in a given year, but does consider expenditures based on need and current market conditions as well as long-term investment goals.

Endowment assets are donor-restricted gifts which are meant to provide a permanent source of income to the Hospital and are included in permanently restricted net assets. The activity for year end September 30, 2009 is as follows:

	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets at beginning of year		\$3,871,631	\$ 3,871,631
Investment return:			
Investment income		85,680	85,680
Net appreciation (realized and unrealized)		49,535	49,535
Earnings reclassified	\$ 135,215	(135,215)	
Total investment return	135,215	3,871,631	4,006,846
Contributions		970,000	970,000
Endowment net assets at end of year	\$ 135,215	\$4,841,631	\$ 4,976,846

## Backus Corporation and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 5. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at September 30:

	<b>2009</b>	<b>2008</b>
Capital Projects	<b>\$ 1,548,434</b>	\$ 933,829
Preventative care	<b>763,501</b>	778,537
Health care services	<b>414,281</b>	340,180
Other	<b>358,416</b>	66,956
Laboratory	<b>184,552</b>	181,410
Extraordinary nursing care	<b>97,635</b>	96,765
Nursing education	<b>70,948</b>	68,085
Free beds	<b>9,665</b>	9,665
	<b>\$ 3,447,432</b>	<b>\$ 2,475,427</b>

Permanently restricted net assets at September 30 are restricted to the following:

	<b>2009</b>	<b>2008</b>
Income to be used:		
For general purposes	<b>\$ 6,018,245</b>	\$ 5,077,223
To provide free beds	<b>527,060</b>	527,060
For laboratory	<b>258,182</b>	258,182
To provide extraordinary nursing care	<b>48,203</b>	48,203
For nursing education	<b>10,140</b>	10,140
	<b>\$ 6,861,830</b>	<b>\$ 5,920,808</b>

## Backus Corporation and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 6. Long-term Debt

A summary of long-term debt at September 30 is as follows:

	2009	2008
Tax-exempt Hospital Revenue Bonds:		
Series E, serial maturities (\$1,630,000) from 2010 to 2012 with interest rates ranging from 4.60% to 4.80%, term maturities (\$7,515,000) from 2017 to 2022 at an interest rate of 5.00%	<b>\$ 9,145,000</b>	\$ 9,640,000
Series F, serial maturities (\$7,300,000) from 2010 to 2018, with interest rates of 4.00% to 4.25%, term maturities (\$22,125,000) from 2023 to 2035 with interest rates of 5.00% to 5.25%	<b>29,425,000</b>	30,100,000
Series G, serial maturities (\$18,960,000) from 2010 to 2026 with interest rates of 3.25% to 5.00%, term maturities (\$7,420,000) in 2035 at an interest rate of 5.00%	<b>26,380,000</b>	26,965,000
Other long-term debt:		
Mortgage paid in full August 2009		289,273
Obligation under capital lease	<b>1,072,619</b>	1,079,308
	<b>66,022,619</b>	68,073,581
Add net unamortized bond premium	<b>806,536</b>	858,169
Less current portion	<b>(1,833,475)</b>	(1,810,232)
Long-term debt	<b>\$ 64,995,680</b>	\$ 67,121,518

The Master Indenture related to the tax-exempt Hospital revenue bonds, as amended and supplemented by Supplemental Master Indenture No. 4, provides for, among other things, a pledge of the gross receipts, as defined, of the Hospital, restriction on the incurrence of certain indebtedness of the Hospital and covenants regarding the Hospital's debt service coverage ratios, sale and lease of assets and other covenants similar in financings of this type. The bonds are secured by the real property of the Hospital, including all buildings and equipment. The mortgages are secured by a warehouse and by certain leasehold improvements. Pursuant to the loan agreements, the Hospital is obligated to provide amounts which will be sufficient to enable the Authority to pay the principle and interest on the Series E, Series F, and Series G bonds.

## Backus Corporation and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 6. Long-term Debt (continued)

Bonds maturing on or after July 1, 2008, are subject to redemption prior to maturity commencing July 1, 2008. Series F bonds maturing after July 1, 2018 are subject to optional redemption prior to maturity. Series G bonds maturing on or before July 1, 2015, are not subject to optional redemption prior to maturity; however, those maturing after July 1, 2015, are subject to optional redemption prior to maturity.

Future minimum principal payments during each of the next five fiscal years and in the aggregate are as follows:

	<b>Hospital</b>	<b>Backus Properties</b>	<b>Total</b>
2010	\$ 1,825,000	\$ 8,475	\$ 1,833,475
2011	1,895,000	10,738	1,905,738
2012	1,965,000	13,604	1,978,604
2013	2,045,000	17,235	2,062,235
2014	2,120,000	21,836	2,141,836
Aggregate thereafter	55,100,000	1,000,731	56,100,731
	64,950,000	1,072,619	66,022,619
Less current portion	1,825,000	8,475	1,833,475
Add net unamortized bond premium	806,536		806,536
	\$ 63,931,536	\$ 1,064,144	\$ 64,995,680

The Corporation paid interest of \$3,428,396 and \$2,981,305 in 2009 and 2008, respectively. Interest incurred in 2009 and 2008 was \$3,361,670 and \$3,277,607, respectively.

In June 2008 the Hospital remarketed its Series F bonds, converting them from a variable auction rate to a fixed rate. As a result, the swap associated with the original bond issue, which was intended to effectively fix the interest rate paid on the bonds, was terminated. The change in the value of the swap presented in the statement of operations at September 30, 2008 of \$(843,514) reflects the change in the fair value of the swap plus the reclassification of prior deferrals.

## Backus Corporation and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 7. Retirement Benefit Plans

The Corporation maintains a noncontributory defined benefit pension plan covering substantially all of its employees. The Corporation also provides noncontributory postretirement health care benefits to eligible retirees and to eligible spouses of retirees who retired prior to January 1, 1994. Subsequent to 1993, covered retirees contribute a percentage of the costs based on years of service. In addition, the Hospital sponsored a nonqualified pension benefit program. Included in other long-term liabilities at September 30, 2009 and 2008 is approximately 3,600,000 and 850,000 respectively, related to the future obligation for the nonqualified benefits.

Effective January 1, 2010, the Corporation will amend its defined benefit pension plan to close the plan to new participants and to freeze accruals for the existing participants. Management anticipates that the change in the pension plan will result in a reduction of the unfunded liability of approximately \$35 million. It is the Corporation's intention to establish a defined contribution plan concurrent with the amendment of the defined benefit plan.

Effective October 1, 2008, the Corporation adopted ASC 715-20, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, which requires elimination of the early measurement date of the plans.

Included in unrestricted net assets at September 30 are the following amounts that have not yet been recognized in net periodic benefit cost:

	Pension Benefits		Postretirement Benefits	
	2009	2008	2009	2008
	<i>(In Thousands)</i>			
Unrecognized actuarial (loss) gain	\$ (67,240)	\$ (26,335)	\$ 1,249	\$ 2,223
Unrecognized prior service cost	(15)	(19)		
Unrecognized transition obligation			(1,213)	(1,617)
	\$ (67,255)	\$ (26,354)	\$ 36	\$ 606

The prior service cost, actuarial (loss) gain and transition obligation included in unrestricted net assets and expected to be recognized in net periodic benefit cost during the year ending September 30, 2010 are \$3,323, \$5,129,108 and \$323,491, respectively.

## Backus Corporation and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 7. Retirement Benefit Plans (continued)

At September 30, 2008, the unfunded status of the pension plan is included in long-term liabilities in the amount of \$30,206,752. The unfunded status of the postretirement benefits is \$5,045,761, with \$479,175 included in short-term liabilities, and the remainder of \$4,566,586 included in long-term liabilities. At September 30, 2009, the unfunded status of the pension plan is included in long-term liabilities in the amount of \$71,685,446. The unfunded status of the postretirement benefits is \$4,968,915, with \$462,097 included in short-term liabilities, and the remainder of \$4,506,818 included in long-term liabilities.

The following table sets forth the funded status of the plans as of the measurement date of September 30 in 2009 and June 30 in 2008 for each plan and amounts recognized in the Corporation's consolidated balance sheets at September 30. In 2008, contributions made subsequent to the measurement date, but prior to September 30, reduced the accrued benefit liability.

	Pension Benefits		Postretirement Benefits	
	2009	2008	2009	2008
	<i>(In Thousands)</i>			
<b>Change in benefit obligations</b>				
Benefit obligations at beginning of year	\$ (133,189)	\$ (124,809)	\$ (5,156)	\$ (5,524)
Service cost	(4,484)	(4,620)	(22)	(30)
Interest cost	(9,002)	(7,986)	(338)	(334)
Change in assumptions	(38,217)	5,256	(557)	134
Actuarial (loss) gain	(2,156)	(4,249)	383	199
Effect of early measurement date elimination	11,740		295	
Benefits paid	3,477	3,219	428	399
Benefit obligations at end of year	<u>\$ (171,831)</u>	<u>\$ (133,189)</u>	<u>\$ (4,967)</u>	<u>\$ (5,156)</u>
<b>Change in plan assets</b>				
Fair value of plan assets at beginning of year	\$ 100,957	\$ 102,625		
Actual return on plan assets	2,662	(7,224)		
Effect of early measurement date elimination	(8,097)			
Contributions	8,100	8,775	\$ 428	\$ 399
Benefits paid	(3,477)	(3,219)	(428)	(399)
Fair value of plan assets at end of year	<u>\$ 100,145</u>	<u>\$ 100,957</u>	<u>\$</u>	<u>\$</u>
<b>Reconciliation of underfunded status</b>				
Underfunded status	\$ (71,686)	\$ (32,232)	\$ (4,969)	\$ (5,156)
Contribution subsequent to measurement date		2,025		111
Accrued benefit liability recognized in the balance sheets	<u>\$ (71,686)</u>	<u>\$ (30,207)</u>	<u>\$ (4,969)</u>	<u>\$ (5,045)</u>

## Backus Corporation and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 7. Retirement Benefit Plans (continued)

	Pension Benefits		Postretirement Benefits	
	2009	2008	2009	2008
	<i>(in thousands)</i>			
<b>Components of net periodic benefit cost</b>				
Service cost	\$ 4,484	\$ 4,620	\$ 22	\$ 30
Interest cost	9,002	7,986	338	334
Expected return on plan assets	(7,605)	(8,417)		
Net amortization and deferral	1,129	3	(541)	(260)
Net periodic benefit cost	<u>\$ 7,010</u>	<u>\$ 4,192</u>	<u>\$ (181)</u>	<u>\$ 104</u>

Assumptions:

Weighted-average assumptions used to determine benefit obligations:

Discount rate	5.60%	6.50%	5.60%	6.50%
Rate of compensation increase	5.00	5.00		

Weighted-average assumptions used to determine net periodic benefit cost:

Discount rate	7.25	6.25	7.25	6.25
Expected long-term rate of return on plan assets	8.00	8.00		
Rate of compensation increase	5.00	5.00		

The expected long-term rate of return on plan assets was determined by the expected return on each asset class based on a model that considers historical and expected future performance.

The accumulated benefit obligation at September 30, 2009 and 2008 was \$137,279,286 and \$107,697,366, respectively.

The asset allocation for the retirement plan at the end of 2009 and 2008 and the target allocation by asset category are as follows:

Asset Category	Target Allocation		Percentage of Plan Assets	
	Minimum	Maximum	2009	2008
US Equity Large Cap	35%	45%	27%	34%
US Equity Small Cap		10	4	5
International Equity	17	27	17	19
Core Fixed Income	25	35	52	42
Real estate		6		
Total			<u>100%</u>	<u>100%</u>

## Backus Corporation and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 7. Retirement Benefit Plans (continued)

Information about the expected cash flows for both plans is as follows:

	<b>Pension Benefits</b>	<b>Postretirement Benefits</b>
Expected employer contributions for 2010	\$ 8,100,000	\$ 462,097
Estimated future benefit payments:		
2010	4,462,917	462,097
2011	4,982,416	464,756
2012	5,495,548	472,761
2013	6,025,576	481,792
2014	6,719,521	481,673
2015-2019	46,736,124	2,066,165

Assumed healthcare cost trend rates for 2009 are as follows:

Health care trend rate assumed for next year	8.50%
Rate to which the cost rate trend rate is assumed to decline (the ultimate trend rate)	5.00%
Year that the rate reaches the ultimate trend rate	2014

A one-percentage-point change in assumed health care cost trend rates would have the following effects on the postretirement benefit plan:

	<b>One-Percentage-Point Increase</b>	<b>Decrease</b>
	<i>(In thousands)</i>	
Effect on total of service and interest cost components	\$ 2	\$ (2)
Effect on postretirement benefit obligation	\$ 26	\$ (22)

## Backus Corporation and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 8. Contingencies

There have been malpractice claims that fall within the Corporation's partially self-insured program (see Note 1, Organization and Accounting Policies) which have been asserted against the Corporation. In addition, there are known incidents that have occurred through September 30, 2009 that may result in the assertion of claims. Corporation management, in conjunction with its consulting actuaries, has accrued its best estimate of these contingent losses.

The Corporation is a party to various lawsuits incidental to its business. Management believes that the lawsuits will not have a material adverse effect on the Corporation's financial position.

#### 9. Promises to Give

Included in pledges receivable at September 30 are the following unconditional promises to give:

	<u>2009</u>	<u>2008</u>
BackusCare campaign	\$ 553,353	\$ 1,163,035
Other	7,077	7,077
Unconditional promises to give before unamortized discount	<u>560,430</u>	<u>1,170,112</u>
Less unamortized discount and allowance	<u>(26,437)</u>	<u>(67,095)</u>
	<u>\$ 533,993</u>	<u>\$ 1,103,017</u>
Amounts due in:		
Less than one year	\$ 414,993	\$ 490,504
One to five years	119,000	612,513
Total	<u>\$ 533,993</u>	<u>\$ 1,103,017</u>

## Backus Corporation and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 10. Property, Plant and Equipment

Property, plant and equipment at September 30 consist of the following:

	2009	2008
Land and land improvements	\$ 4,905,192	\$ 4,741,682
Buildings and leasehold improvements	115,686,063	107,777,362
Equipment	96,886,734	87,154,025
Construction in process (2009 estimated cost to complete \$6,900,000)	4,251,661	4,438,532
Less accumulated depreciation	(117,890,582)	(103,421,093)
	\$ 103,839,068	\$ 100,690,508

Included in construction in progress at September 30, 2009 are \$1,280,000 of internally developed software costs. The Corporation wrote off approximately \$1,426,000 of fully depreciated assets in 2009.

In 2004, the Corporation began leasing space to be used for patient services. The initial lease term is for a period of ten years, with two five-year renewal options available at the discretion of the Hospital. Rent expense for the years ended September 30, 2009 and 2008 was \$705,436 and \$667,384, respectively.

The Corporation leases various types of equipment with annual payments ranging from \$103 to \$119,064. Expenses as a result of these leases were approximately \$478,000 and \$928,000 for the years ended September 30, 2009 and 2008, respectively.

Future minimum lease payments under the above leases during each of the next five years were as follows:

2010	\$ 1,257,360
2011	1,042,391
2012	775,265
2013	748,603
2014	145,161
Aggregate thereafter	1,102,588
	\$ 5,071,368

## Backus Corporation and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 11. Other Operating Revenues

Other operating revenues consist of the following:

	Year Ended September 30	
	2009	2008
Cafeteria sales	\$ 1,049,650	\$ 989,415
Grants	642,728	630,810
Rental income	663,647	630,448
Interest	476,907	1,505,928
Condominium income	440,047	306,803
Miscellaneous	527,635	381,709
Child care	336,700	350,051
Purchase discounts	274,879	135,812
	<u>\$ 4,412,193</u>	<u>\$ 4,930,976</u>

#### 12. Functional Expenses

The Hospital provides inpatient medical and surgical, outpatient, psychiatric and emergency care services to residents of eastern Connecticut. Expenses related to providing these services are as follows:

	Year Ended September 30	
	2009	2008
Health care services	\$ 200,628,303	\$ 189,364,177
General and administrative	67,467,717	62,248,517
Fundraising	191,911	304,117
	<u>\$ 268,287,931</u>	<u>\$ 251,916,811</u>

## Backus Corporation and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 13. Concentrations of Credit Risk

The Corporation grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. For 2009 and 2008, Hospital receivables accounted for 95% and 94%, respectively. The mix of accounts receivable, net of contractual allowances, from patients and third-party payors at September 30 is as follows:

	2009	%	2008	%
Medicare	\$ 14,223,122	25%	\$ 12,265,855	25%
Medicaid	4,685,984	8	3,166,368	6
Anthem Blue Cross/Blue Shield	7,989,343	14	8,128,274	16
Health Maintenance Organizations	9,452,755	17	7,671,571	16
Commercial	2,776,338	5	3,140,618	6
Self pay	13,430,756	24	11,688,493	24
Other state agencies	4,182,234	7	3,231,784	7
	56,740,532	100%	49,292,963	100%
Less allowance for uncollectible accounts	20,629,237		15,609,715	
	\$36,111,295		\$ 33,683,248	

#### 14. Fair Value of Financial Instruments

On October 1, 2008, the Corporation adopted ASC 820-10, *Fair Value*, which defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP, and expands disclosure about fair value measurements.

Fair value, as defined in ASC 820-10, is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase consistency and comparability, ASC 820-10 established a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. Level one inputs are quoted market prices in active markets that are accessible at the measurement date. Level two inputs are observable, but not quoted in active markets. Level three inputs are unobservable and are used when little or no market data is available.

## Backus Corporation and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 14. Fair Value of Financial Instruments (continued)

Financial assets and liabilities as of September 30, 2009 are classified in the table below:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 62,155,067		\$	\$ 62,155,067
Assets whose use is limited	106,083,812			106,083,812
Pledges receivable	533,993			533,993

The carrying amount of certain of the Corporation's financial instruments, including cash and cash equivalents and pledges receivable, approximate fair value due to the relatively short maturities of such instruments. Fair values of investments are based on quoted market prices and are recorded on the balance sheets as such. Fair value of the long-term debt is estimated using discounted cash flow analysis which is based on the AAA insured bond rate at fiscal year end. The fair value of fixed rate debt is \$68,087,973 and \$65,336,934 at September 30, 2009 and 2008, respectively.

## Other Financial Information

## Report of Independent Auditors on Other Financial Information

Board of Directors  
Backus Corporation and Subsidiaries

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

*Ernst & Young LLP*

December 1, 2009

## Backus Corporation and Subsidiaries

### Consolidating Balance Sheet

September 30, 2009

	<b>Backus Corp.</b>	<b>William W. Backus Hospital *(consolidated)</b>	<b>Backus Foundation</b>	<b>Backus Health Care, Inc.</b>	<b>Backus Properties Inc.</b>	<b>WWB Corp.</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Assets</b>								
Current assets:								
Cash and cash equivalents	\$ 45,846	\$ 57,570,735	\$ 2,085,506	\$ 1,108,911	\$ 140,738	\$ 1,203,331		\$ 62,155,067
Assets whose use is limited – required for current liabilities		7,240,812						7,240,812
Accounts receivable, less allowance for uncollectible accounts		36,111,295		839,709	30,125	1,051,140		38,032,269
Pledges receivable			533,993					533,993
Inventories of supplies		3,252,641		114,966				3,367,607
Prepaid expenses and other		925,340		9,671	85,556	2,669		1,023,236
Due from affiliates	27,582	3,901,924					\$ (3,929,506)	
Total current assets	73,428	109,002,747	2,619,499	2,073,257	256,419	2,257,140	(3,929,506)	112,352,984
Assets whose use is limited:								
Board-designated and donor restricted		44,500,233	36,512,604					81,012,837
Held by trustee		22,743,662	2,327,313					25,070,975
Total assets whose use is limited		67,243,895	38,839,917					106,083,812
Less assets whose use is limited – required for current liabilities								
		7,240,812						7,240,812
		60,003,083	38,839,917					98,843,000
Interest in Foundation		41,147,474					(41,147,474)	
Property, plant, and equipment, net		98,131,132		90,657	5,593,682	23,597		103,839,068
Deferred financing costs		2,025,397						2,025,397
Other assets	1,000	1,801,751		966,810		85,112	(16,845)	2,837,828
	\$ 74,428	\$ 312,111,584	\$ 41,459,416	\$ 3,130,724	\$ 5,850,101	\$ 2,365,849	\$ (45,093,825)	\$ 319,898,277

\* Includes Backus Condominium Association

Backus Corporation and Subsidiaries  
Consolidating Balance Sheet (continued)

September 30, 2009

	Backus Corp.	William W. Backus Hospital *(consolidated)	Backus Foundation	Backus Health Care, Inc.	Backus Properties Inc.	WWB Corp.	Eliminations	Consolidated
<b>Liabilities and net assets</b>								
Current liabilities:								
Accounts payable-trade		\$ 10,508,835	\$ 11,448	\$ 394,244	\$ 30,263	\$ 198,721		\$ 11,143,511
Salaries and wages, payroll taxes and taxes withheld from payroll		8,205,022	531	369,819		379,856		8,955,228
Due to affiliates	\$284,800		45,983	118,309	3,336,782	143,632	\$ (3,929,506)	
Other accrued liabilities		7,190,212	253,980	1,801,202		322,633		9,568,027
Due to third-party reimbursement agencies		1,831,013				479,791		2,310,804
Current portion of long-term debt		1,825,000			8,475			1,833,475
Total current liabilities	284,800	29,560,082	311,942	2,683,574	3,375,520	1,524,633	(3,929,506)	33,811,045
Other liabilities:								
Long-term debt, less current portion		63,931,536			1,064,144			64,995,680
Employee related obligations		84,442,697						84,442,697
Self-insured professional liability		10,580,762						10,580,762
Due to third-party reimbursement agencies		10,307,215						10,307,215
Other		667,654			7,499			675,153
		169,929,864			1,071,643			171,001,507
Net assets:								
Common stock						1,000	(1,000)	
Unrestricted	(210,372)	102,312,376		447,150	1,402,938	840,216	(15,845)	104,776,463
Temporarily restricted		3,447,432	34,308,847				(34,308,847)	3,447,432
Permanently restricted		6,861,830	6,838,627				(6,838,627)	6,861,830
Total net assets	(210,372)	112,621,638	41,147,474	447,150	1,402,938	841,216	(41,164,319)	115,085,725
Total liabilities and net assets	\$ 74,428	\$ 312,111,584	\$ 41,459,416	\$ 3,130,724	\$ 5,850,101	\$ 2,365,849	\$ (45,093,825)	\$ 319,898,277

\* Includes Backus Condominium Association

Backus Corporation and Subsidiaries

Consolidating Statement of Operations and Changes in Net Assets

Year Ended September 30, 2009

	Backus Corp.	William W. Backus Hospital *(consolidated)	Backus Foundation	Backus Health Care, Inc.	Backus Properties Inc.	WWB Corp.	Eliminations	Consolidated
Operating revenues:								
Net patient service revenue		\$ 259,652,271		\$ 5,073,240		\$ 7,128,542	\$ (88,665)	\$ 271,765,388
Other operating revenue	\$ 125,004	4,213,341		81,199	\$ 1,099,706	22,154	(1,129,211)	4,412,193
Net assets released from restrictions			\$ 547,411				(460,917)	86,494
	125,004	263,865,612	547,411	5,154,439	1,099,706	7,150,696	(1,678,793)	276,264,075
Operating expenses:								
Salaries, wages and professional fees	256,742	112,184,033	155,336	4,348,579	24,755	3,938,367		120,907,812
Payroll taxes and other fringe benefits	35,218	27,425,902	40,414	969,731	3,238	970,523		29,445,026
Supplies, insurance and other	18,420	74,547,698	351,661	3,963,600	741,108	1,727,287	(1,217,876)	80,131,898
Provision for uncollectible accounts		16,898,318		74,663		133,520		17,106,501
Depreciation and amortization		16,939,369		28,162		15,236		17,335,024
Interest		3,091,298				270,372		3,361,670
	310,380	251,086,618	547,411	9,384,735	1,391,730	6,784,933	(1,217,876)	268,287,931
Operating (loss) income	(185,376)	12,778,994		(4,230,296)	(292,024)	365,763	(460,917)	7,976,144
Nonoperating gains and (losses):								
Contributions and donations							429,646	429,646
Change in equity interest in net assets of the Foundation		(3,735,563)					3,735,563	
Investment income	92	2,432,928		2,347,772	(2,049)	164,759	234,131	5,177,633
	92	(1,302,635)		2,347,772	(2,049)	164,759	4,399,340	5,607,279
Excess (deficiency) of revenues over expenses	\$ (185,284)	\$ 11,476,359	\$	\$ (1,882,524)	\$ (294,073)	\$ 530,522	\$ 3,938,423	\$ 13,583,423

\* Includes Backus Condominium Association

Backus Corporation and Subsidiaries

Consolidating Statement of Operations and Changes in Net Assets (continued)

Year Ended September 30, 2009

	Backus Corp.	William W. Backus Hospital *(consolidated)	Backus Foundation	Backus Health Care, Inc.	Backus Properties Inc.	WWB Corp.	Eliminations	Consolidated
Unrestricted net assets:								
Excess (deficiency) of revenues over expenses (continued)	\$ (185,284)	\$ 11,476,359		\$ (1,882,524)	\$ (294,073)	\$ 530,522	\$ 3,938,423	\$ 13,583,423
Change in equity interest in net assets of the Foundation		3,938,423					(3,938,423)	
Change in pension funding obligation		(45,512,326)						(45,512,326)
Increase (decrease) in unrestricted net assets	(185,284)	(30,097,544)		(1,882,524)	(294,073)	530,522		(31,928,903)
Temporarily restricted net assets:								
Contributions			\$ 1,172,398				(429,646)	742,752
Income from investments		1,350	548,528				(234,131)	315,747
Change in equity interest in net assets of the Foundation		970,655					(970,655)	
Net assets released from restrictions			(547,411)				460,917	(86,494)
Increase (decrease) in temporarily restricted net assets		972,005	1,173,515				(1,173,515)	972,005
Permanently restricted net assets								
Contributions			970,000					970,000
Change in net assets held in trust			(28,978)					(28,978)
Change in equity interest in net assets of the Foundation		941,022					(941,022)	
Increase in permanently restricted net assets		941,022	941,022				(941,022)	941,022
Increase (decrease) in net assets	(185,284)	(28,184,517)	2,114,537	(1,882,524)	(294,073)	530,522	(2,114,537)	(30,015,876)
Net assets (deficit) at beginning of year	(25,088)	140,806,155	39,032,937	2,329,674	1,697,011	310,694	(39,049,782)	145,101,601
Net assets (deficit) at end of year	\$ (210,372)	\$ 112,621,638	\$ 41,147,474	\$ 447,150	\$ 1,402,938	\$ 841,216	\$ (41,164,319)	\$ 115,085,725

\* Includes Backus Condominium Association

Backus Health Care, Inc., and Subsidiaries

Consolidating Balance Sheet

September 30, 2009

	<b>Backus Health Care, Inc. (Parent)</b>	<b>CONNCare</b>	<b>BPS, LLC</b>	<b>Eliminations</b>	<b>Backus Health Care, Inc., and Subsidiaries</b>
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 11,457	\$ 834,815	\$ 262,639		\$ 1,108,911
Accounts receivable, less allowance for uncollectible accounts		511,479	328,230		839,709
Inventories of supplies		114,966			114,966
Prepaid expenses		9,113	558		9,671
Due from affiliates	24,624	749,606		\$ (774,230)	
Total current assets	36,081	2,219,979	591,427	(774,230)	2,073,257
Property, plant and equipment:					
Buildings and leasehold improvements		59,768			59,768
Equipment		268,112	48,323		316,435
Accumulated depreciation		(270,306)	(15,240)		(285,546)
		57,574	33,083		90,657
Other assets		966,810			966,810
	\$ 36,081	\$ 3,244,363	\$ 624,510	\$ (774,230)	\$ 3,130,724
<b>Liabilities and net assets</b>					
Current liabilities:					
Accounts payable – trade		\$ 13,318	\$ 380,926		\$ 394,244
Salaries and wages, payroll taxes and taxes withheld from payroll		270,617	99,202		369,819
Other accrued liabilities		1,801,202			1,801,202
Due to affiliates	\$ 28,334	114,599	749,606	\$ (774,230)	118,309
Total current liabilities	28,334	2,199,736	1,229,734	(774,230)	2,683,574
Net assets (deficit)	7,747	1,044,627	(605,224)		447,150
Total liabilities and net assets	\$ 36,081	\$ 3,244,363	\$ 624,510	\$ (774,230)	\$ 3,130,724

Backus Health Care, Inc., and Subsidiaries

Consolidating Statement of Operations and Changes in Net Assets

September 30, 2009

	<b>Backus Health Care, Inc. (Parent)</b>	<b>CONNCare</b>	<b>BPS, LLC</b>	<b>Eliminations</b>	<b>Backus Health Care, Inc., and Subsidiaries</b>
Operating revenues:					
Net patient service revenue		\$ 3,943,958	\$ 1,129,282		\$ 5,073,240
Other operating revenue	\$ 36,936	67,042	14,157	\$ (36,936)	81,199
Total revenues	36,936	4,011,000	1,143,439	(36,936)	5,154,439
Expenses:					
Salaries and wages		2,870,703	1,477,876		4,348,579
Payroll taxes and fringe benefits		805,491	164,240		969,731
Supplies and other	38,486	3,098,692	863,358	(36,936)	3,963,600
Provision for uncollectible accounts		4,057	70,606		74,663
Depreciation and amortization		17,434	10,728		28,162
Total expenses	38,486	6,796,377	2,586,808	(36,936)	9,384,735
Operating loss	(1,550)	(2,785,377)	(1,443,369)		(4,230,296)
Nonoperating gains:					
Investment income	20	2,347,630	122		2,347,772
Deficiency of revenue over expenses	(1,530)	(437,747)	(1,443,247)		(1,882,524)
Net assets at beginning of year	9,277	1,482,374	838,023		2,329,674
Net assets (deficit) at end of year	\$ 7,747	\$ 1,044,627	\$ (605,224)	\$	\$ 447,150

WWB, Inc., and Subsidiary

Consolidating Balance Sheet

September 30, 2009

	<b>WWB (Parent)</b>	<b>Backus Home Health Care</b>	<b>Eliminations</b>	<b>WWB, Inc., and Subsidiary</b>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 1,061,007	\$ 142,324		\$ 1,203,331
Accounts receivable, less allowance for uncollectible accounts		1,051,140		1,051,140
Prepaid expenses and other		2,669		2,669
Due from affiliates	184,628		\$ (184,628)	
Total current assets	1,245,635	1,196,133	(184,628)	2,257,140
Property, plant and equipment:				
Lease improvements		3,872		3,872
Equipment		350,608		350,608
Accumulated depreciation		(330,883)		(330,883)
		23,597		23,597
Other assets	81,312	3,800		85,112
	<u>\$ 1,326,947</u>	<u>\$ 1,223,530</u>	<u>\$ (184,628)</u>	<u>\$ 2,365,849</u>
<b>Liabilities and net assets</b>				
Current liabilities:				
Accounts payable		\$ 198,721		\$ 198,721
Salaries and wages, payroll taxes and taxes withheld from payroll		379,856		379,856
Other accrued liabilities		322,633		322,633
Due to third party reimbursement agencies		479,791		479,791
Due to affiliates	\$ 143,632	184,628	\$ (184,628)	143,632
Total current liabilities	143,632	1,565,629	(184,628)	1,524,633
Common stock	1,000			1,000
Retained earnings (deficit)	1,182,315	(342,099)		840,216
Total liabilities and net assets	<u>\$ 1,326,947</u>	<u>\$ 1,223,530</u>	<u>\$ (184,628)</u>	<u>\$ 2,365,849</u>

WWB, Inc., and Subsidiary

Consolidating Statement of Operations and Changes in Net Assets

September 30, 2009

	<u>WWB</u>	<u>Backus Home Health Care</u>	<u>Eliminations</u>	<u>WWB, Inc., and Subsidiary</u>
Operating revenues:				
Net patient service revenue		\$ 7,128,542		\$ 7,128,542
Other operating revenue		22,154		22,154
Total revenues		7,150,696		7,150,696
Expenses:				
Salaries and wages		3,938,367		3,938,367
Payroll taxes and fringe benefits		970,523		970,523
Supplies and other	\$ 80,645	1,646,642		1,727,287
Provision for uncollectible accounts		133,520		133,520
Depreciation and amortization		15,236		15,236
Total expenses	80,645	6,704,288		6,784,933
Operating (loss) income	(80,645)	446,408		365,763
Nonoperating gains:				
Investment income	164,599	160		164,759
Excess of revenue over expenses	83,954	446,568		530,522
Net assets (deficit) at beginning of year	1,098,361	(788,667)		309,694
Net assets (deficit) at end of year	<u>\$ 1,182,315</u>	<u>\$ (342,099)</u>	<u>\$</u>	<u>\$ 840,216</u>

## Backus Corporation and Subsidiaries

### Consolidating Balance Sheet

September 30, 2008

	<b>Backus Corp.</b>	<b>William W. Backus Hospital *(consolidated)</b>	<b>Backus Foundation</b>	<b>Backus Health Care, Inc.</b>	<b>Backus Properties Inc.</b>	<b>WWB Corp.</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Assets</b>								
Current assets:								
Cash and cash equivalents	\$ 63,252	\$ 46,717,416	\$ 1,409,496	\$ 961,177	\$ 93,566	\$ 1,184,957		\$ 50,429,864
Assets whose use is limited – required for current liabilities		6,648,187						6,648,187
Accounts receivable, less allowance for uncollectible accounts		33,683,248		1,218,969	35,643	845,364		35,783,224
Pledges receivable			1,103,017					1,103,017
Inventories of supplies		1,923,318		80,999				2,004,317
Prepaid expenses and other		1,779,906			65,646	26,342		1,871,894
Due from affiliates	133,816	3,388,030					\$ (3,521,846)	
Total current assets	197,068	94,140,105	2,512,513	2,261,145	194,855	2,056,663	(3,521,846)	97,840,503
Assets whose use is limited:								
Board-designated and donor restricted		43,002,912	34,537,277					77,540,189
Held by trustee		18,156,456	2,397,834					20,554,290
Total assets whose use is limited		61,159,368	36,935,111					98,094,479
Less assets whose use is limited – required for current liabilities								
		6,648,187						6,648,187
		54,511,181	36,935,111					91,446,292
Interest in Foundation		39,032,937					(39,032,937)	
Property, plant, and equipment, net		95,130,673		104,554	5,420,321	34,960		100,690,508
Deferred financing costs		2,118,397						2,118,397
Other assets	1,000	3,788,338		486,913		65,922	(16,845)	4,325,328
	\$198,068	\$ 288,721,631	\$ 39,447,624	\$ 2,852,612	\$ 5,615,176	\$ 2,157,545	\$ (42,571,628)	\$ 296,421,028

\* Includes Backus Condominium Association

Backus Corporation and Subsidiaries  
Consolidating Balance Sheet (continued)

September 30, 2008

	Backus Corp.	William W. Backus Hospital *(consolidated)	Backus Foundation	Backus Health Care, Inc.	Backus Properties Inc.	WWB Corp.	Eliminations	Consolidated
<b>Liabilities and net assets</b>								
Current liabilities:								
Accounts payable-trade		\$ 9,994,419	\$ 10,792	\$ 24,535	\$ 6,699	\$ 110,342		\$ 10,146,787
Salaries and wages, payroll taxes and taxes withheld from payroll		6,787,976	12,401	264,014		294,552		7,358,943
Due to affiliates	\$221,061		95,972	185,987	2,535,410	483,416	\$ (3,521,846)	
Other accrued liabilities	2,095	6,723,678	295,522	48,402		478,750		7,548,447
Due to third-party reimbursement agencies		1,270,638				479,791		1,750,429
Current portion of long-term debt		1,755,000			55,232			1,810,232
Total current liabilities	223,156	26,531,711	414,687	522,938	2,597,341	1,846,851	(3,521,846)	28,614,838
Other liabilities:								
Long-term debt, less current portion		65,808,169			1,313,349			67,121,518
Accrued pension and other retirement costs		35,623,338						35,623,338
Self-insured professional liability		11,939,205						11,939,205
Due to third-party reimbursement agencies		3,892,438						3,892,438
Other		4,120,615			7,475			4,128,090
		121,383,765			1,320,824			122,704,589
Net assets:								
Common stock						1,000	(1,000)	
Unrestricted (deficit)	(25,088)	132,409,920		2,329,674	1,697,011	309,694	(15,845)	136,705,366
Temporarily restricted		2,475,427	33,135,332				(33,135,332)	2,475,427
Permanently restricted		5,920,808	5,897,605				(5,897,605)	5,920,808
Total net assets	(25,088)	140,806,155	39,032,937	2,329,674	1,697,011	310,694	(39,049,782)	145,101,601
Total liabilities and net assets	\$198,068	\$ 288,721,631	\$ 39,447,624	\$ 2,852,612	\$ 5,615,176	\$ 2,157,545	\$ (42,571,628)	\$ 296,421,028

\* Includes Backus Condominium Association

## Backus Corporation and Subsidiaries

### Consolidating Statement of Operations and Changes in Net Assets

September 30, 2008

	<b>Backus Corp.</b>	<b>William W. Backus Hospital *(consolidated)</b>	<b>Backus Foundation</b>	<b>Backus Health Care, Inc.</b>	<b>Backus Properties Inc.</b>	<b>WWB Corp.</b>	<b>Eliminations</b>	<b>Consolidated</b>
Operating revenues:								
Net patient service revenue		\$ 242,131,827		\$ 4,787,746		\$ 5,014,824	\$ (167,104)	\$ 251,767,293
Other operating revenue	\$ 125,004	4,727,859		53,348	\$ 1,066,064	2,025	(1,043,324)	4,930,976
Net assets released from restrictions			\$ 1,432,392				(1,359,996)	72,396
	125,004	246,859,686	1,432,392	4,841,094	1,066,064	5,016,849	(2,570,424)	256,770,665
Operating expenses:								
Salaries, wages and professional fees	173,816	102,256,348	158,918	3,328,371	21,133	3,281,463		109,220,049
Payroll taxes and other fringe benefits	23,870	23,695,796	37,862	765,249	2,868	759,234		25,284,879
Supplies, insurance and other	26,550	78,669,671	1,235,612	1,726,009	645,645	1,537,380	(1,210,428)	82,630,439
Provision for uncollectible accounts		14,162,003		55,644		(17,098)	488,462	14,689,011
Depreciation and amortization		16,453,137		26,072		17,596		16,814,826
Interest		3,003,005			274,602			3,277,607
	224,236	238,239,960	1,432,392	5,901,345	1,262,269	5,578,575	(721,966)	251,916,811
Operating (loss) income	(99,232)	8,619,726		(1,060,251)	(196,205)	(561,726)	(1,848,458)	4,853,854
Nonoperating gains and (losses):								
Contributions and donations							384,478	384,478
Change in equity interest in net assets of the Foundation		(167,456)					167,456	
Investment income	63	(5,444,964)		1,207,007		160,808	(8,689,207)	(12,766,293)
	63	(5,612,420)		1,207,007		160,808	(8,137,273)	(12,381,815)
(Deficiency) excess of revenues over expenses	\$ (99,169)	\$ 3,007,306	\$	\$ 146,756	\$ (196,205)	\$ (400,918)	\$ (9,985,731)	\$ (7,527,961)

\* Includes Backus Condominium Association

## Backus Corporation and Subsidiaries

### Consolidating Statement of Operations Changes in Net Assets (continued)

September 30, 2008

	<b>Backus Corp.</b>	<b>William W. Backus Hospital *(consolidated)</b>	<b>Backus Foundation</b>	<b>Backus Health Care, Inc.</b>	<b>Backus Properties Inc.</b>	<b>WWB Corp.</b>	<b>Eliminations</b>	<b>Consolidated</b>
Unrestricted net assets:								
Excess of revenues over expenses (continued)	\$ (99,169)	\$ 3,007,306		\$ 146,756	\$ (196,205)	\$ (400,918)	\$ (9,985,731)	\$ (7,527,961)
Change in equity interest in net assets of the Foundation		(10,497,269)					10,497,269	
Change in pension funding obligation		(14,558,507)						(14,558,507)
Current year acquisition						(326,023)		(326,023)
Equity contribution				6,148,491			(6,148,491)	
Transfer to affiliates				1,000,000			(1,000,000)	
(Decrease) increase in unrestricted net assets	(99,169)	(22,048,470)		7,295,247	(196,205)	(726,941)	(6,636,953)	(22,412,491)
Temporarily restricted net assets:								
Contributions			\$ 702,273				89,917	792,190
Income from investments		2,550	(9,406,984)				8,689,207	(715,227)
Change in equity interest in net assets of the Foundation		(472,378)					472,378	
Net assets released from restrictions			(1,432,392)				885,601	(546,791)
Transfers to (from) affiliates			(2,996,569)				2,996,569	
(Decrease) increase in temporarily restricted net assets		(469,828)	(13,133,672)				13,133,672	(469,828)
Permanently restricted net assets								
Contributions			5,020					5,020
Change in net assets held in trust			(413,630)					(413,630)
Change in equity interest in net assets of the Foundation		(408,610)					408,610	
Decrease in permanently restricted net assets		(408,610)	(408,610)				408,610	(408,610)
Increase (decrease) in net assets	(99,169)	(22,926,908)	(13,542,282)	7,295,247	(196,205)	(726,941)	6,905,329	(23,290,929)
Net assets (deficit) at beginning of year	74,081	163,733,063	52,575,219	(4,965,573)	1,893,216	1,037,635	(45,955,111)	168,392,530
Net assets (deficit) at end of year	\$ (25,088)	\$ 140,806,155	\$ 39,032,937	\$ 2,329,674	\$ 1,697,011	\$ 310,694	\$ (39,049,782)	\$ 145,101,601

\* Includes Backus Condominium Association

Backus Health Care, Inc., and Subsidiaries

Consolidating Balance Sheet

September 30, 2008

	<b>Backus Health Care, Inc. (Parent)</b>	<b>CONNCare</b>	<b>BPS, LLC</b>	<b>Eliminations</b>	<b>Backus Health Care, Inc., and Subsidiaries</b>
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 11,437	\$ 477,609	\$ 472,131		\$ 961,177
Accounts receivable, less allowance for uncollectible accounts		830,900	388,069		1,218,969
Inventories of supplies		80,999			80,999
Due from affiliates	129,276			\$ (129,276)	
Total current assets	140,713	1,389,508	860,200	(129,276)	2,261,145
Property, plant and equipment:					
Buildings and leasehold improvements		59,768			59,768
Equipment		265,246	39,799		305,045
Accumulated depreciation		(255,105)	(5,154)		(260,259)
		69,909	34,645		104,554
Other assets		486,913			486,913
	\$ 140,713	\$ 1,946,330	\$ 894,845	\$ (129,276)	\$ 2,852,612
<b>Liabilities and net assets</b>					
Current liabilities:					
Accounts payable		\$ 7,477	\$ 17,058		\$ 24,535
Salaries and wages, payroll taxes and taxes withheld from payroll		224,250	39,764		264,014
Other accrued liabilities		48,402			48,402
Due to affiliates	\$ 131,436	183,827		\$ (129,276)	185,987
Total current liabilities	131,436	463,956	56,822	(129,276)	522,938
Net assets (deficit)	9,277	1,482,374	838,023		2,329,674
Total liabilities and net assets	\$ 140,713	\$ 1,946,330	\$ 894,845	\$ (129,276)	\$ 2,852,612

Backus Health Care, Inc., and Subsidiaries

Consolidating Statement of Operations and Changes in Net Assets

September 30, 2008

	<b>Backus Health Care, Inc. (Parent)</b>	<b>CONNCare</b>	<b>BPS, LLC</b>	<b>Eliminations</b>	<b>Backus Health Care, Inc., and Subsidiaries</b>
Operating revenues:					
Net patient service revenue		\$ 4,370,665	\$ 417,081		\$ 4,787,746
Other operating revenue	\$ 36,936	53,348		\$ (36,936)	53,348
Total revenues	36,936	4,424,013	417,081	(36,936)	4,841,094
Expenses:					
Salaries and wages		2,948,686	379,685		3,328,371
Payroll taxes and fringe benefits		733,842	31,407		765,249
Supplies and other	38,186	1,562,087	162,672	(36,936)	1,726,009
Provision for uncollectible accounts		55,504	140		55,644
Depreciation and amortization		20,918	5,154		26,072
Total expenses	38,186	5,321,037	579,058	(36,936)	5,901,345
Operating loss	(1,250)	(897,024)	(161,977)		(1,060,251)
Nonoperating gains:					
Investment income	38	1,206,969			1,207,007
(Deficiency) excess of revenue over expenses	(1,212)	309,945	(161,977)		146,756
Net assets (deficit) at beginning of year	10,489	(4,976,062)			(4,965,573)
Contributions		6,148,491	1,000,000		7,148,491
Net assets (deficit) at end of year	\$ 9,277	\$ 1,482,374	\$ 838,023	\$	\$ 2,329,674

WWB, Inc., and Subsidiary

Consolidating Balance Sheet

September 30, 2008

	<b>WWB (Parent)</b>	<b>Backus Home Health Care</b>	<b>Eliminations</b>	<b>WWB, Inc., and Subsidiary</b>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 976,620	\$ 208,337		\$ 1,184,957
Accounts receivable, less allowance for uncollectible accounts		845,364		845,364
Prepaid expenses and other	17,405	8,937		26,342
Due from affiliates	522,830		\$ (522,830)	
Total current assets	1,516,855	1,062,638	(522,830)	2,056,663
Property, plant and equipment:				
Equipment		350,608		350,608
Accumulated depreciation		(315,648)		(315,648)
		34,960		34,960
Other assets	65,922			65,922
	<u>\$ 1,582,777</u>	<u>\$ 1,097,598</u>	<u>\$ (522,830)</u>	<u>\$ 2,157,545</u>
<b>Liabilities and net assets</b>				
Current liabilities:				
Accounts payable		\$ 110,342		\$ 110,342
Salaries and wages, payroll taxes and taxes withheld from payroll		294,552		294,552
Other accrued liabilities		478,750		478,750
Due to third party reimbursement agencies		479,791		479,791
Due to affiliates	\$ 483,416	522,830	\$ (522,830)	483,416
Total current liabilities	483,416	1,886,265	(522,830)	1,846,851
Common stock	1,000			1,000
Retained earnings	1,098,361	(788,667)		309,694
Total liabilities and net assets	<u>\$ 1,582,777</u>	<u>\$ 1,097,598</u>	<u>\$ (522,830)</u>	<u>\$ 2,157,545</u>

WWB, Inc., and Subsidiary

Consolidating Statement of Operations and Changes in Net Assets

September 30, 2008

	<b>WWB</b>	<b>Backus Home Health Care</b>	<b>Eliminations</b>	<b>WWB, Inc., and Subsidiary</b>
Operating revenues:				
Net patient service revenue		\$ 5,014,824		\$ 5,014,824
Other operating revenue		2,025		2,025
Total revenues		5,016,849		5,016,849
Expenses:				
Salaries and wages		3,281,463		3,281,463
Payroll taxes and fringe benefits		759,234		759,234
Supplies and other	\$ 96,626	1,440,754		1,537,380
Provision for uncollectible accounts		(17,098)		(17,098)
Depreciation and amortization		17,596		17,596
Total expenses	96,626	5,481,949		5,578,575
Operating loss	(96,626)	(465,100)		(561,726)
Nonoperating gains:				
Investment income	158,352	2,456		160,808
(Deficiency) excess of revenue over expenses	61,726	(462,644)		(400,918)
Net assets (deficit) at beginning of year	1,037,635			1,037,635
Current year acquisition		(326,023)		(326,023)
Net assets (deficit) at end of year	<u>\$ 1,099,361</u>	<u>\$ (788,667)</u>	<u>\$ —</u>	<u>\$ 310,694</u>